

Message Text

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IBRD:RHINDLE

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----- 098710

R 111705Z DEC 73

FM SECSTATE WASHDC

TO AMEMBASSY ATHENS

AMEMBASSY LISBON

AMEMBASSY JIDDA

AMEMBASSY PRETORIA

AMEMBASSY MADRID

AMEMBASSY BANGKOK

AMEMBASSY SEOUL

AMEMBASSY SAIGON

AMEMBASSY NASSAU

C O N F I D E N T I A L STATE 219599

E.O. 11652:GDS

TAGS: EFIN, CHI, IMF, IBRD

SU5JECT: CHINESE REPRESENTATION IN IMF/IBRD

REF: FOR NASSAU ONLY - NASSAU 1591

FOLLOWING IS A REPEAT

QUOTE

071848Z NOV 73

FROM SECSTATE WASHDC

TO AMEMBASSY BONN, AMEMBASSY BRASILIA, AMEMBASSY BRUSSELS,

AMEMBASSY CARACAS, AMEMBASSY LONDON, AMEMBASSY OTTAWA,

AMEMBASSY THE HAGUE, AMEMBASSY PARIS, AMEMBASSY ROME,

AMEMBASSY TOKYO, AMEMBASSY TAIPEI, USLO PEKING, AMCONSUL

HONG KONG, AMEMBASSY TEHRAN, AMEMBASSY MANILA, AMEMBASSY

OSLO, AMEMBASSY JAKARTA, AMEMBASSY OUAGADOUGOU

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PASS USADB MANILA

1- SUMMARY: ON OCTOBER 29 AND 30 THE BOARDS OF EXECUTIVE DIRECTORS OF THE IMF AND WORLD BANK DISCUSSED THE PRC CHALLENGE TO CONTINUED ROC PARTICIPATION IN THOSE INSTITUTION. THE RESULT OF THE TWO MEETINGS WAS ESSENTIALLY THAT THE IMF MANAGING DIRECTOR AND THE WORLD BANK PRESIDENT WILL COMMUNICATE WITH THE PRC IN ORDER TO CLARIFY THEIR INTENTIONS. THE SPEED, MODE AND TONE OF THIS INTERCHANGE IS LEFT LARGELY UP TO THE IMF/IBRD MANagements IN CONSULTATION WITH EACH OTHER. THEY HOPE TO REPORT BACK TO THEIR BOARDS WITHIN SIX WEEKS AND FROM STATEMENTS MADE BY EDS IT IS PROBABLE THAN AN EXPULSION RESOLUTION WILL BE PROPOSED AT THAT TIME IF THE ISSUE HAS NOT OTHERWISE BEEN RESOLVED. THERE IS LITTLE DOUBT THAT SUCH A RESOLUTION WOULD BE ADOPTED. END SUMMARY.

2. THE BOARD OF EDS OF THE IMF MET OCTOBER 29TH TO DISCUSS THE PRC MESSAGE TO MANAGING DIRECTOR WITTEVEEN RECEIVED AT THE TIME OF THE ANNUAL MEETING, CHALLENGING CONTINUED ROC PARTICIPATION IN THE IMF. SEVEN DIRECTORS (U.S., JAPAN, CANADA, UK, FEDERAL REPUBLIC OF GERMANY, BELGIUM, AND ANGLO-PHONE AFRICA) TOOK THE VIEW THAT THE ULTIMATE DECISION SHOULD DEPEND UPON, OR BE INFLUENCED BY, CONSIDERATION OF THE LEGAL AND FINANCIAL COMPLEXITIES. SIX DIRECTORS (FRANCE, NORDICS, AUSTRALIA, ITALY, NETHERLANDS, IRAN) INDICATED FOR THE RECORD THAT IF A FORMAL PROPOSAL FOR ACTIONS WERE PLACED ON THE TABLE THEY WOULD VOTE IMMEDIATELY TO EXPEL THE ROC. FRANCE RESERVED THE RIGHT TO PROPOSE AN EXPULSION RESOLUTION AT ANY TIME IF ONE WERE NOT FORTHCOMING IN THE VERY NEAR FUTURE. THERE WAS SOME DISAGREEMENT AS TO WHETHER THE EDS SHOULD DECIDE THE QUESTION OR THE BOARD OF GOVERNORS.

3. WITTEVEEN SUMMARIZED THE MEETING WITH THE FOLLOWING CONCLUSIONS:

A. A LARGE NUMBER OF DIRECTORS HAD TAKEN A GENERALLY POSITIVE POSITION TOWARD THE REQUEST FROM THE PRC.

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B. MANY DIRECTORS HAD EMPHASIZED PROMPT ACTION. A NUMBER OF OTHERS, HOWEVER, HAD STRESSED THE NEED FOR TAKING FULLY INTO ACCOUNT THE COMPLEXITIES AND IMPLICATIONS OF THE PROBLEM.

C. THERE WAS WIDE SUPPORT FOR A FURTHER APPROACH TO THE PRC WITHOUT TOO MUCH DELAY -- THE CANADIAN ED HAS SUGGESTED A REPORT BE MADE WITHIN SIX WEEKS.

4. THE IBRD BOARD OF EXECUTIVE DIRECTORS MET OCTOBER 30TH AND BEGAN WITH A SUMMARY OF THE IMF MEETING HELD THE PREVIOUS DAY. THE DISCUSSION WAS SIMILAR TO THAT HELD IN THE FUND. MCNAMARA MADE THE FOLLOWING CONCLUSIONS:

A. THE MAJORITY OF GOVERNMENTS BELIEVE THE ROC IS IMPROPERLY REPRESENTING CHINA. THIS MAJORITY IS THEREFORE PREPARED TO ACT FAVORABLY ON PRC MEMBERSHIP.

B. THE BANK SHOULD ACT PROMPTLY ON ITS RECOMMENDATION AND REPORT PROMPTLY TO THE BOARD (HOPEFULLY WITHIN SIX WEEKS).

C. CONTACTS WITH PRC SHOULD BE CARRIED OUT INFORMALLY AND IN CLOSE COOPERATION WITH THE FUND.

D. THERE SHOULD BE SIMULTANEOUS DISCUSSION WITH THE ROC ON THE RESULTS OF TERMINATION OF REPRESENTATIVE AND THE CONSEQUENTIAL PROBLEMS.

5. FYI ONLY. CONTACT WITH THE PRC WAS INITIATED IN NEW YORK ON NOVEMBER 2 BY IDENTICAL AIDES-MEMOIRE FROM THE BANK AND FUND STATING THAT THE BOARDS OF EDS HAD DECIDED THAT THEY WANT CLARIFICATION REGARDING CHINA MEMBERSHIP THAT THE IMF/IBRD ARE PREPARED TO DISCUSS THIS QUESTION ANY TIME, PLACE AND AT ANY LEVEL THAT THE PRC MAY DESIRE. MCNAMARA PLANS TO CABLE THE ROC ON NOVEMBER 5 OR 6 SUMMARIZING THE RESULTS OF THE IBRD ED BOARD MEETING AND DELINEATING FINANCIAL ISSUES WHICH NEED TREATMENT. END FYI. END QUOTE. RUSH

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